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14 November 1955

MEMORANDUM FOR: Assistant Director, Research and Reports

SUBJECT: Proposed EIC Economic Intelligence Advisory Panel

I. The Problem

To constitute an appropriate advisory group for the purpose of giving general assistance to the Economic Intelligence Committee in the carrying out of its responsibilities in the field of general economic analysis.

II. Discussion

1. Under its terms of reference, covering the general field of foreign economic intelligence related to national security as set forth in IAC-D-22/1 (Revised) of 29 May 1951, the EIC was authorized and directed to:

- a. continuously review economic intelligence research programs, identify priority gaps and recommend action responsibilities therefor;
- b. continuously review foreign economic intelligence activities, and undertake special reviews of processing and distributing procedures in order to recommend improvements;
- c. establish such subcommittees and working parties as are judged necessary.

2. In the process of carrying out its responsibilities, the EIC has established thirteen substantive subcommittees and a Subcommittee on Requirements and Facilities for Collation. Among the substantive subcommittees, the Subcommittee on General Economic Analysis (GEA) partakes

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of a special character. Each of the other substantive subcommittees has responsibility for a particular sector, or a special aspect of the foreign economies which lie within the province of the EIC. The SEA was given responsibility, as indicated in its terms of reference dated 22 April 1952 -- as amended and approved on 13 June 1952, 1/ for functioning in the field of general economic analysis. That is to say it was to be concerned with aggregative economics, and to deal with intelligence on economic conditions and developments on an over-all or across-the-board basis.

3. The SEA has been relatively inactive and unproductive. In part its lack of success has resulted from the absence of an insistent demand for working level coordination in its field. Only CIA and State are engaged in over-all economic analysis on the Bloc, and the great bulk of this analysis is done in CIA/OSR. Furthermore, the individuals in State who are normally responsible for coordinating interagency decisions in this field (for example on GNP and related matters for Bloc NIK's) have not been members of this subcommittee. In the case of subcommittee members other than those from State and CIA, their agencies have not engaged directly in general economic analysis. As a consequence, they have not always been in a position to make helpful contributions to subcommittee deliberations. The result has been that review of general substantive economic intelligence matters on a community-wide basis has not been accomplished. In summary, the SEA, which should have become the capstone of the EIC subcommittee structure, has been most limited in its activities.

4. On the whole the subcommittee structure of the EIC has effectively reviewed and coordinated research in the individual sectors of foreign economics.

1. See Annex A.

However, the failure to relate these sector reviews to a review of analysis and conclusions in the over-all economic field has led to a feeling in the intelligence community that the EIC has not effectively fulfilled its mission. The responsibility rests directly with the EIC. In order to best fulfill this responsibility the Main Committee is in need of assistance, the type of assistance that could be provided by an Advisory Panel. The necessity for such an advisory group was clearly foreseen by Max Milliken.

5. While it is recognized that each of the EIC member agencies do not have equal responsibility for general economic analysis, all of the regular members of the EIC in meeting their IAC responsibilities have a most direct interest in intelligence studies and economic estimates of broader scope.

6. It is proposed that an Economic Intelligence Advisory Panel (AP) be constituted to serve the EIC and through the EIC, the economic intelligence community in the field of general economic analysis. 2/ The primary advantage of such a body would be that its members could be made up of appropriately selected individuals of competence in this field from within the Government, without regard to their departmental assignments, and that this membership from within the Government could be supplemented and substantially strengthened by appropriately selected consultants of outstanding reputation from outside the Government. 3/ Such a membership would be qualified to assist the EIC in fulfilling its responsibilities, and would have sufficient prestige to stimulate cooperative participation by the EIC member agencies.

2. Proposed terms of reference for such an Economic Intelligence Advisory Panel are indicated in Annex B.

3. See Annex C for a suggested list of Advisory Panel members.

7. The responsibilities of the AP would be as indicated in its proposed terms of reference. Generally speaking, the AP would review broad economic developments, selected important research conclusions and the use of appropriate techniques in the general economic analysis field, and would make recommendations relating thereto to the EIC.

8. The Panel might meet for several consecutive mornings and afternoons once every six months. The EIC would suggest topics or special problems for the Panel to consider. Major economic intelligence producing offices in cooperation with the Secretariat would brief the Panel on these topics and submit to them the more important publications in this field. Generally panel members would be selected on the basis of their independent background of research in the Soviet area and their recognized competence also in economic analysis. The Panel/might want to suggest topics to be developed at each succeeding meeting. A suggested list of subjects which might be considered by the AP is indicated in Annex D.

III. Conclusion

An Economic Intelligence Advisory Panel along the lines suggested above and in Annex B should be constituted to replace the present SEA.

IV. Recommendation

It is recommended that the proposed terms of reference for the EIC Economic Intelligence Advisory Panel be distributed to the EIC representatives of the IAC agencies, and that the EIC be asked to approve the establishment of the proposed AP and the adoption of its proposed terms of reference.

ANNEX B
14 November 1955

EIC ECONOMIC INTELLIGENCE ADVISORY PANEL

Proposed Terms of Reference

A. Membership

1. The Economic Intelligence Committee, in accordance with its terms of reference as set forth in IAC-D-22/1 (revised), 29 May 1951 has established an Economic Intelligence Advisory Panel.

2. The membership of the Panel shall consist of individuals of broad competence in the field of general economic intelligence analysis. These individuals shall be nominated by the EIC members and approved by the Economic Intelligence Committee. They shall be selected from the EIC member agencies (including components which are important users of economic intelligence, such as ONE), other governmental departments and agencies as appropriate, and from outside the Government. Individuals in this latter group will be carefully selected consultants who can make significant contributions to the deliberations of the Panel.

3. The members of the Panel shall serve as individual experts in the field of economic intelligence analysis, rather than as representatives of the departments, agencies or institutions with which they are associated.

B. Organization

1. The Chairman of the Advisory Panel shall be designated by the EIC and shall serve for such period of time as determined by the EIC. He may be designated from among the individuals within the Government, or from among the outside consultants.

2. The Economic Intelligence Committee Secretariat shall supply the Secretariat requirements of the Panel.

3. The Panel may be augmented from time to time by the temporary appointment of special members, either for limited periods of time or in connection with the consideration of particular matters.

C. Scope and Functions

1. The function of the Economic Intelligence Advisory Panel is to provide assistance to the Economic Intelligence Committee in reviewing the pertinence, extent, and quality of economic intelligence analysis required for national security.

2. The Economic Intelligence Advisory Panel shall be concerned with the over-all economies of, and general economic developments in various foreign countries, supplementing the activities of the EIC substantive subcommittees and special working groups which are concerned with particular sectors or special aspects of these economies. It shall, as the occasions require be concerned with both internal economic developments and external economic relations of foreign countries.

3. For each foreign country or grouping of foreign countries considered, the Advisory Panel shall be concerned with those economic conditions and developments which have an important bearing on US foreign policy and national security. The subject matter scope shall include the following major topics, particularly as they relate to the recurring intelligence problems of assessing economic capabilities, vulnerabilities and indicators of intentions of foreign countries to promote their national policies:

a. National accounts analysis covering gross national product, national income, and their principal components, and other over-all economic measures such as gross industrial output. Over-all economic growth.

b. National resources and changes in the magnitude, location, composition and character of resources which significantly affect the development of the economy as a whole.

c. Economic policy and planning; economic organization and administrative structure of the economy, including government control or regulation of economic activities, and institutional factors affecting the management and operation of economic units.

d. Fiscal and monetary developments, price movements and structures, and other factors which determine changes in the general level of economic activity.

e. Internal trade and distribution, particularly as related to living standards, real wages, and disposable personal income.

4. The Advisory Panel shall also be concerned with the conceptual and methodological aspects of economic intelligence problems relating to the national security, particularly with those aspects that require application of new or advanced economic concepts, techniques and methods.

The following activities are included under the Advisory Panel's scope:

a. Examination of the conceptual and analytical frameworks utilized for analyzing (1) economic capabilities and vulnerabilities of foreign countries; (2) economic indications of the intentions and probable courses of action of foreign countries; and (3) special problems of economic measurement that arise in economic intelligence

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work.

b. Recommendations to the EIC as to the techniques and methods which would best contribute to meeting economic intelligence objectives.

5. The Panel shall review as requested major substantive economic intelligence problems, directing its attention toward selected major economic developments, research conclusions, and general economic estimates. It shall seek to provide advisory guidance to the EIC on current and future economic intelligence research.

6. The Economic Intelligence Advisory Panel shall aid the EIC in reviewing foreign economic intelligence in the field of general economic analysis for the purpose of identifying important gaps and deficiencies.

7. The Advisory Panel shall, when requested by the EIC, conduct post-mortems on EIC production, and perform such other functions relating to foreign economic intelligence on an over-all basis as are referred to it.

D. Operating Relationships with the EIC

1. The Economic Intelligence Advisory Panel will report to the Economic Intelligence Committee. All meetings of the Advisory Panel will be open to the EIC representatives of the IAC Agencies.

2. In making recommendations, or indicating its finding to the EIC, the Panel will indicate whether the recommendations or findings are unanimous, and if not, the degree of agreement and disagreement and the reasons therefor.

3. Notes for, agenda and minutes of the Panel shall be circulated to the EIC representatives of the IAC agencies.

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ANNEX C

SUGGESTED MEMBERSHIP
OF
PROPOSED ECONOMIC INTELLIGENCE ADVISORY PANEL

One member from each of the following:

CIA/CSS

CIA/CNE

State Department

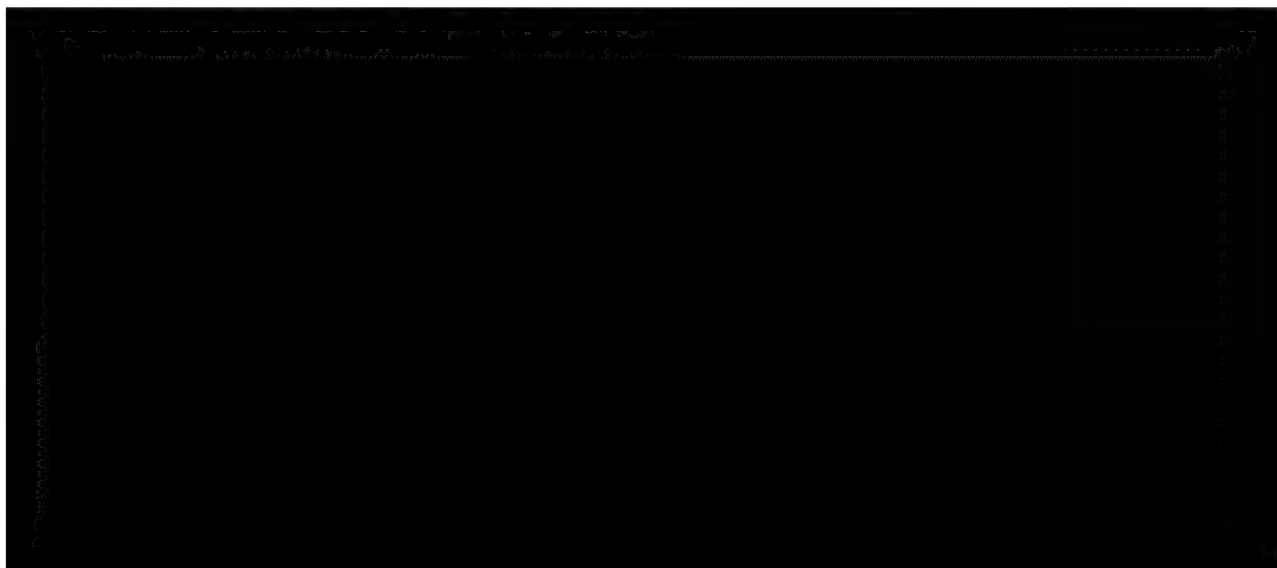
Defense

EIC associate member agencies

CRA staff

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Outside consultants such as the following:



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SUGGESTED AGENDA SUBJECTS FOR ADVISORY PANEL

1. Growth of the Soviet Economy. Implications.
2. The Soviet Mobilization Base. Planning. Extent. Costs. Problems. Prospects.
3. Economic Relations between the Sino-Soviet Bloc and the Free World. What changes or modifications, if any, would be desirable, under various assumptions as to temperature of the cold war?
4. Economic Relations Between the USSR and Communist China. Problem Areas. Prospects.
5. Soviet Economic Blandishments — Actual and Potential — to Third Countries (Particularly Underdeveloped Countries).
 - a. Trade (Including Markets for Raw Material Exports).
 - b. Soviet Capital Exports. Loans.
 - c. Technical Assistance.
 - d. Military Assistance.
6. Soviet Agriculture. Importance. Problems. Implications.
7. Soviet Population and Manpower. Trends and Distribution.